122-627

SUPREME COURT U.S.
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No. 951. *October Term, 1883.*

Supreme Court United States.

HALE

vs.

EVERITT.

MOTION TO DISMISS FOR WANT OF JURISDICTION.

BRIEF OF PLAINTIFFS IN ERROR.

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For Plaintiffs in Error.

Allen, Lane & Scott, Printers, 229-231 South Fifth Street, Philadelphia.

In the Supreme Court of the United States.

Henry S. Hale, Artemus Kilburn, J. Warren Hale, Cheney Kilburn, and Warren Hale, who survived H. W. Curtis, with whom they traded as Hale, Kilburn and Company, and The Hale and Kilburn Manufacturing Company, Plaintiffs in Error,

vs.

Elisha E. Everitt, Defendant in Error.

October Sessions, 1883.

No. 951.

BRIEF OF ARGUMENT FOR THE PLAINTIFFS IN ERROR AGAINST THE MOTION TO DISMISS THE WRIT OF ERROR IN THE ABOVE CASE.

Upon an examination of the "Statement of the Case," printed by the defendant in error (pages 3 to 15, of their brief), the plaintiffs in error find that it consists chiefly of facts which they consider wholly immaterial to the appeal here taken and upon the present motion,—many allegations of fraud, all of which they deny,—and many conclusions and insinuations which they believe unsupported by the evidence. It omits to state nearly every fact that is material on this motion, to show the jurisdiction of this Court

on this appeal. The plaintiffs in error have consequently prepared for the court a statement of those facts, which they believe material on the present motion, omitting all other matter, abstaining from any allegations or imputations of fraud upon their opponent, and fortified by citations from the record itself.

This is a writ of error to a decree of the Supreme Court of Pennsylvania, affirming the decree of the Court of Common Pleas No. 4, of the City of Philadelphia, in a suit in equity instituted by the defendant in error, *Elisha E. Everitt.* He avers in his bill that on March 24th, 1874, letters patent were granted him for an improvement in wardrobe bedsteads; that on April 16th, 1874, he made a contract with the defendants, *Hale & Kilburn*, by which, in consideration of an assignment to them of the patent, they were to manufacture bedsteads under it, and pay him, *Everitt*, seven per cent. upon the wholesale price received therefor; and that

"If the said parties of the second part (*Hale & Kilburn*), or "their said assignees, shall at any time fail to account for and pay "over when due sums accruing to the said party of the first "part (*Everitt*), his heirs or assigns, under the terms of the agree- "ment, and shall continue in such default for sixty days after "demand of payment, * * then, * * the party or parties "so in default shall forfeit all his or their interest in said let- "ters patent, and shall reassign the same, by proper instrument "in writing, to the said party of the first part, his heirs or assigns."

And further—

"that if in any suit the said letters patent should be found and "adjudged invalid, or to infringe on any other patent or patents, "then * * the said parties of the second part (*Hale & "Kilburn*), or their assigns, may at their option surrender to the "said party of the first part, his heirs or assigns, all right and "claim under this agreement, and thereupon be released from "their covenants herein contained, and from any and all of the "obligations whatsoever under or concerning said agreement."

The bill then averred that

"said defendants (*Hale & Kilburn*) *have continued in default for* "*more than sixty days* in not accounting for and paying over to "your orator the royalty due him under said agreement after your "orator demanded of the defendants payment of the same, "*whereby the rights of the said defendants to your said orator's patent,* "*and the said improvements thereon, were forfeited,* and the said de- "fendants have not reassigned the said patents and improve- "ments to your orator according to the terms of said agreement."

The plaintiff prayed an account of all bedsteads manufactured under his patent after April 16th, 1874, by the defendants; that the latter be ordered to reassign to the plaintiff his patent, and

"*that the said defendants be restrained by an injunction of your* "*Honorable Court from * * * making or selling bedsteads* "*or other furniture under your orator's said patent and the improve-* "*ments thereon.*"

The answer of *Hale & Kilburn*, the defendants, denied that many of the articles on which the plaintiff claimed royalty under the contract were covered by the plaintiff's patent at all, and gave a list of them in detail. They averred.

"that because of *the existence of prior patents*, and for *want of* "*utility and novelty*, they have been advised that *the* said *patent of* "*the plaintiff is useless and utterly worthless;*"

and set forth that the plaintiff's patent infringed amongst other things the patent of one Andrew Stark, number 49,168, and also one granted to Sebeus C. Maine, which patents they averred "covered the leading and only valu- "able features of the bedstead they had been manufactur- "ing and selling:"

As to their default under the contract, they said:—

"That it is true that the defendants have continued in default "in this respect for more than sixty days in not paying over "under said agreement, but are in no default for not accounting, "and they agree that they have forfeited their rights to the plain- "tiff's said patent, and although they have not hitherto reas- "signed the same, they have caused an offer so to do to be made "to the plaintiff in person and through counsel, but it has not "been accepted, and the defendants * * under advice of "counsel, and in compliance with the prayer of the said bill, de- "posit herewith in the hands of the prothonotary of this court, "at the time of filing this answer, a reassignment of the patent "referred to, so that the said plaintiff shall thereunder have and "take all his former rights and privileges."

The cause was then heard upon bill and answer, whereupon the Court of Common Pleas made a decree (printed on pp. 15 and 16 of the "copies from the record," supplied by the defendant in error), containing amongst other things the following language:—

"It is ordered, adjudged, and decreed, that an account be taken "of all * * bedsteads manufactured by the defendants "under the patent and improvements mentioned and referred to "in the bill, after the 16th of April, 1874; * * *and it is "further ordered that an injunction issue, directly* to the said defend- "ants (Hale & Kilburn) *commanding and enjoining them* * * "*from manufacturing bedsteads and other furniture under the said "patent, and from selling any bedstead made under said patent and im- "provements, manufactured after the date of this decree.*"

This decree further referred the case to a Master to hear testimony and take an account.

The contract set forth by the plaintiff in his bill was terminated by him in accordance with its terms (as appears above) on the day his bill was filed, September 24th, 1878; and this was admitted by the defendants in their

answer (just quoted), and found as a fact by the master, who, page 43 of his report, says:—

"The Master finds that the defendants are in default within "the terms of the 5th article of the contract, and that they con- "tinued in default for more than sixty days after the bill was "filed," &c.

So that on September 24th, 1878, the rights of plaintiff and defendants, under the contract set out in the bill, whatever they were, then were terminated.

But the plaintiff claimed in this suit not only the royalty for the sale of bedsteads and other articles alleged to be covered by his patent *under the contract* during its existence, up to September 24th, 1878, when it was ended by both parties, but claimed further, damages from the defendants, *thereafter;* although at this time a reassignment of Everitt's patents to him had been executed by the defendants, and duly tendered to him, which he had refused.

The court below examined the defendants' books for sales by them of the articles which the plaintiff alleged to be covered by his patent, although the defendants had *denied that the patent was valid,*—and charged them with damages for having sold articles alleged to be covered by it, sold by them after the contract had been terminated. The total amount thus awarded amounts to $964.13, with interest from December, 1878.

The defendants being advised that the State court had no jurisdiction either to restrain them from manufacturing under letters patent, the validity of which they had expressly denied in their answer, or to award damages against them for selling articles alleged to infringe a patent whose validity they denied, applied, after the decree of the Common Pleas had been affirmed in the Supreme

Court of Pennsylvania, for a writ of error to the Supreme Court of the United States.* CHIEF JUSTICE MERCUR, when the latter of those facts was brought to his attention, allowed the writ of error as prayed for, and endorsed upon the writ taken out,

"Writ of error allowed by me this seventh day of February, "1883.

"ULYSSES MERCUR,
"CHIEF JUSTICE OF PENNSYLVANIA."

and when the additional security on appeal was fixed, the question of the allowance came before the full bench of that court.

The counsel for the defendant in error, who, in their zeal for their client, have made the somewhat reckless assertion (page 15 of their brief) that

"Certainly the thought never entered the mind of the Supreme "Court of Pennsylvania that any Federal question was decided "by this judgment."

have omitted to print this allowance by the Chief Justice of the State, of the writ of error, but it forms part of the record now filed in this court.

The decree of the State court awarding, *inter alia*, damages for the manufacture and sale of articles alleged to infringe the plaintiff's patent, and restraining them from manufacturing thereunder, form the first two grounds of the appeal of *Hale & Kilburn*, the defendants below.

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*Upon the hearing of this cause in the Supreme Court of Pennsylvania, that court had, under the pressure of business then crowded upon it, assigned one hour and a quarter a side for the hearing of this cause, the record of which consists of seven hundred pages, only a quarter of an hour being left to the senior counsel of the present appellants (*Hale & Kilburn*) to reply, which he was unable to attempt to do in that limit of time.

The plaintiff in his bill also averred that the contract between them provided

"that any *improvements* in said patented bedsteads which may "be *made by either of the parties hereto*, and any letters patent of the "United States obtained for *such improvements*, shall be held and "enjoyed by the said parties of the second part under and subject "to the terms of this agreement:"—

and that

"several improvements to said patented process have been, from "time to time, *made by the said defendants or some of them*, which "are now held by the said *Hale & Kilburn Manufacturing Com-"pany*;"—

and prayed that the defendants be ordered to reassign all of the improvements. The defendants in their answer denied that the improvements made and patented by them were on any of the features covered by the said patent of the plaintiff; but,

"On the contrary, they say that the said improvements are on "other parts not in any way connected with the claims of the "plaintiff, and they deny the right of the said plaintiff to claim a "transfer for the said improvements."

On this point the court below, through its Master, found (pages 44 and 45 of his report) that the only patents for improvements *made by any of the defendants* during the time the contract between them was in existence, were—

Letters patent No. 159,908, granted February 16th, 1875, to H. W. Curtis (a defendant).

Letters patent No. 181,450, granted August 22d, 1876, to Kilburn (a defendant).

Letters patent No. 160,185, granted February 23d, 1875, to Hale (a defendant).

The court upon an examination of these patents: held that two of them were for improvements on Everitt's

patent (excepting No. 160,185), and made a further decree, by which they ordered the defendants to assign the first two of them to the plaintiff.

But a patent had been granted, not to any of the defendants or parties to the contract set out in the bill, but to a stranger, one *S. D. Newcomb* (letters patent No. 182,465), granted to him September 19th, 1876, and subsequently purchased by the defendants. The court found, as a fact, this patent to be one for "an improvement" on the plaintiff's patent, and ordered the defendants (without assigning any separate reason therefor) to assign it to the complainant.

A considerable time after the date at which the plaintiff averred he had terminated the contract between himself and the defendants, viz., on December 10th, 1878, further letters patent (No. 210,777) were granted to *Henry S. Hale*, one of the defendants, for an improvement in wardrobe bedsteads.

The court below, although they had already heard the case on bill and answer, and made a decree thereon, allowed the plaintiff to take testimony as to this patent, and subsequently made a decree ordering its assignment by the defendants to the plaintiff.

The plaintiffs in error are advised that the State court had no jurisdiction to decree the assignment by them to the plaintiff of this patent. It was not pretended that it was taken out while any agreement between them and the plaintiff was in force.

The record in this case shows that on September 24th, 1878, the plaintiff filed his bill praying, *inter alia*, for an assignment under the terms of his contract (which he declared terminated and forfeited on that day) of all improvements on his own patent made by the defendants; that on November 22d, 1878, the defendants filed their answer denying his right; that on December 9th, 1878, the State court made a decree, on bill and answer, enjoining the defendants from manufacturing or selling any article under

the plaintiff's patent, or *under the defendants' own improvements thereon*, their right to which the court had then never passed upon or even heard discussed; that on December 10th, 1878, after the case had already been referred to a master, one of the defendants took out a new and further patent; that the court then made a further decree, ordering the defendants, amongst other things, to assign the patent thus taken out after the date of their first decree to the plaintiff.

This forms the third and fourth grounds upon which the defendants have appealed to this court.

The plaintiff, in his bill, further averred that the defendants, *Hale & Kilburn*, had purchased for $1000 from one *Stark* a patent, issued long prior to the plaintiff's own patent, for an improvement in folding bedsteads; and that a suit on the former had been commenced in *Stark's* name against the defendants' use of the plaintiff's (*Everitt's*) patent, in the Circuit Court of the United States, which, however, the plaintiff charged was promoted by the defendants themselves, and at their expense, and was therefore fraudulent. By an amendment to his bill, he averred that the defendants had alleged in their answer that his patent infringed the *Stark* patent which they now owned; but that the relations between the defendants and himself under his contract with them were such, during its existence, that the latter could not acquire title to Stark's patent, or to any other, adversely to him. He therefore prayed that the defendants might be decreed to assign to him the Stark patent also, without compensation.

The defendants, as already stated, denied the validity of *Everitt's* patent, and gave evidence, which they thought conclusive, to show this.

Stark's patent was prior to *Everitt's*, *Stark's* being dated August 22d, 1865, and *Everitt's* November 19th, 1873;

the evidence showed that the defendants had agreed with *Stark* to purchase his patent; that they had had it reissued in a broader form, which had been allowed by the Patent Office (Reissue No. 8161, dated April 9th, 1878). No evidence was given to show whether *Everitt's* patent was anticipated by it or not. The court below decided that the defendants had in equity no right to reissue the *Stark* patent, or to buy it in its reissued form, because it constituted in some way a fraud upon *Everitt*. The contract between *Everitt* and the defendants had begun April 16th, 1874, and had been terminated by *Everitt* himself on September 24th, 1878. The court below not only decreed that the defendants account for all of the bedsteads manufactured by them, whether covered by *Everitt's* patent or not, during the whole period of that contract, but they decreed that after the contract had been terminated by *Everitt* himself, that he could in equity compel the defendants to assign to him, without compensation, the Stark patent also for the remainder of its existence.

It is difficult to state clearly the grounds upon which the court below did this. From an analysis of their opinion, it would seem that they found, as a fact, that the *Everitt* patent was valid; that the *Stark* patent in its original form did not anticipate the *Everitt* patent; that the *Stark* patent in its reissued form did anticipate the *Everitt* patent, and therefore, as matter of law, rendered the latter patent void; that the obtaining of the reissue of the *Stark* patent by the defendants, or by *Stark* at their instance, was therefore a fraud upon the plaintiff, so that, on the general ground that during the continuance of the contract relation between the parties, the defendants could not buy any outstanding title except for the benefit of both,—the plaintiff had, in some way, a title to the *Stark* patent. They carried out this principle by awarding the entire *Stark* patent to *Everitt* upon the termination of the contract by him. The language of the court on this subject is:—(see pages of "Copies of Record.")

"But, in the present case, the defendants (*Hale & Kilburn*) "created themselves the very title which is alleged to be hostile "to the plaintiff's rights, for without the reissue of the Stark "patent which they obtained, the plaintiff would have been in no "danger. The plaintiff is entitled, therefore, to relief and protec- "tion against the defendants' fraudulent reissue of the Stark "patent. He might have it by a perpetual injunction against the "assignment or use of that patent, or he may have it, upon the prin- "ciples already adverted to, in the form of a decree for a compul- "sory assignment of it to the plaintiff. The form of the relief is "not very material, for the result is the same in either case."

ARGUMENT.

FIRST.

The validity of Letters Patent No. 148,940, granted March 24th, 1874, to Everitt, and the question of its anticipation by prior patents is directly raised by the pleadings in this cause.

The plaintiff *Everitt* sets forth in paragraph first of his bill that letters patent were granted to him as above, for an alleged new and useful improvement in wardrobe bedsteads.

The statement that letters patent had been granted by the Patent Office of the United States is prima facie evidence of their novelty.

The plaintiff then prays, as part of the relief founded upon this allegation,

"That the said defendants be restrained by injunction from " * * * making or selling bedsteads or other "furniture under your orator's said patent * * * ."

The answer of the defendants expressly denies the validity of the above patent. In paragraph 7, they aver that,

"They have been informed and believe that in making "the said bedsteads they are infringing upon the rights of "other prior patentees against whom they are obliged to "protect themselves by contracts of purchase or otherwise, "or wholly discontinue the manufacture of bedsteads "which they had been making, and in the introduction "of which they had expended large sums of money, which "they could not afford to lose; that among such patents "were one to *Andrew Stark*, and another for others to "*Sebeus C. Maine*, which covered the leading and only "valuable features of the bedstead they have been manu- "facturing and selling."

In the eighth paragraph, they expressly aver as follows:—

"And the defendants aver that because of the existence of "prior patents, and for want of utility and novelty, they have "been advised that the said patent of the plaintiff is useless and "utterly worthless."

The validity, therefore, of the principal patent involved in this cause is affirmed in the bill and denied in the answer, and the most important portion of the relief prayed for is an injunction against the defendants as mere naked infringers of this patent. The issue differs in no respect from that which it would necessarily be if the plaintiff had filed his bill in the Circuit Court of the United States, setting up his patent, alleging that the defendants were infringing it, and praying, as part of his relief, an injunction that they be restrained henceforth from manufacturing under the patent; and the defendants in their answer had set up that the patent was void by reason of being anticipated by prior patents.

It has always been held by this court that the question of jurisdiction depends primarily upon whether the plead-

ings in the cause raise directly an issue involving the question of the validity of a patent, in other words, the question of infringement.

"An action," says Chief Justice Waite, "which raises a "question of infringement, is an action arising 'under the "law,' and one who has the right to sue for the infringe- "ment may sue in the Circuit Court." Littlefield *vs.* Perry, 21 Wallace, 222.

It is needless to amplify this point, as it is obvious upon a cursory inspection of the record; and as the rest of this argument is devoted to developing it by showing that the court below actually did grant an injunction as prayed for by the plaintiff, which has been in force now for over five years, restraining these defendants from infringing his patent, and, in addition, awarded a considerable sum as damages by reason of their having infringed.

The defendant in error has endeavored to elude this difficulty by alleging that there was a contract involved in the case about his patent; and that he sued to recover royalties due under that contract. Of course, if a contract alone were involved, and the validity of the patent or patents it related to was not denied, and no question of infringement arose, the construction of such a contract and the determination of the plaintiff's rights under it would belong to a State tribunal. But both the validity of the contract and of the patent are expressly denied in the answer. In the eighth paragraph of the answer they aver that the patent is void, and "that their said contract with "the plaintiff is without consideration and void in law."

The pleadings in the case thus raising the issue of infringement, the jurisdiction over the cause was solely in the Federal Courts; for "having jurisdiction, the court may "decide other matters between the parties, which, of "themselves might not afford ground for the original ex- "ercise of jurisdiction." *Brooks* vs. *Stolley*, 3 McLean, 529; *Littlefield* vs. *Perry*, 21 Wallace, 222.

SECOND.

The court below had no jurisdiction to make a decree enjoining the defendants from manufacturing bedsteads and other furniture under letters patent No. 148,940 (Everitt's patent), and from selling any bedsteads made under said patent, and improvements (letters patent Nos. 159,908, 181,450, 182,465, and 210,777), manufactured after the date of that decree.

This decree made in this cause is printed on pages 15 and 16 of the defendant's "Copies from the Record," furnished the court.

It has been already stated that the pleadings raise directly the question of the validity of letters patent No. 148,940, Everitt's patent, and that the plaintiff prayed in the second prayer of his bill for an injunction restraining the defendants from manufacturing the bedsteads made under the patent. The facts, as they appear in the bill and answer, were that a contract in regard to this patent had existed between the parties which the defendants, it was alleged by the plaintiff, had broken, and had therefore forfeited all rights thereunder. The plaintiff therefore claimed, as he had a right to, a reassignment of his patent, together with further letters patent for improvements thereon which he alleged he was entitled to. The defendants tendered a reassignment of letters patent No. 148,940, deposited an executed assignment, which the plaintiff refused to receive, with the clerk of the court, but denied their liability to assign the other patents, and admitted that they claimed no further rights under the contract, whatever they were. Upon a hearing of the cause upon bill and answer, the plaintiff then asked the court to treat the defendants as mere naked infringers, not only of his own

patent, of which they had tendered him a reassignment (letters patent No. 148,940), but also of letters patent Nos. 159,908, 181,450, and 182,465; by this short cut, the plaintiff designed to obtain all of the relief to which he might be entitled in the State Court, to wit, a reassignment of his own and other patents; and before his right to the reassignment of all but one of them was even heard, to obtain in the meanwhile an injunction against infringement by the defendants, to which he would have been entitled thereafter in the Federal courts, in case he obtained an assignment of all of the patents.

I. It may be objected that this decree appears to be one made by the consent of the defendants. The ground of this allegation is that the defendants, not wishing to hold any longer the Everitt patent, believing it to be utterly invalid, and being perfectly willing to account to the plaintiff for all that they believed to be due him under their contract, said, in the ninth paragraph of their answer, that they were

"not now manufacturing any bedsteads under the patent of "the said plaintiff, and do not propose to do so hereafter; that "they confess judgment, and submit themselves to a decree of "the court in favor of the said plaintiff as to all the prayers of "their said bill, except to that part of the second prayer which "requires that they should assign to the said plaintiff the patents "which they have secured for improvements of their own," &c.

The defendants meant, of course, by this paragraph to submit themselves to any decree which the court might make in the premises, on subjects within their jurisdiction. They had no more conception of being enjoined from manufacturing *under their own improvements* which were then held by them in their own names, and upon the question of the ownership of which the court *had not even heard an argu-*

ment, than they had of submitting to a decree for a reassignment of the Stark patent then owned by them. Upon the assumption, however, that these lines of the defendants' answer above quoted would give a State court *jurisdiction to enjoin against an infringement*, the complainant drew up and obtained from the court a decree which (as will be shown in a moment) was a final decree in the cause upon so much of the matter as was covered by it, in which they recited :—

"And now, December 8th, 1878, this cause came on to be heard "on bill and answer, and it appearing to the court that the said "defendants by their answer have submitted to a decree in favor "of the plaintiff as to all the prayers of the bill, except so much of "the second prayer as prays for a reassignment of the improve- "ments in the manufacture of bedsteads mentioned in said bill.

"It is ordered, adjudged, and decreed," &c., &c.

II. It is hardly necessary to add that this attempt, such as it is, to support such a decree by the so-called admission or submission in the defendants' answer, is without legal foundation. Consent of the parties can not give jurisdiction to any court.

"It is true" said this Court, in *Mills* vs. *Brown*, 16 Peters, 527, "that the plaintiffs and defendants in error "have both waived all objections to jurisdiction and have "pressed the court for a decision on the principal points. "But consent will not give jurisdiction." So, in *Dudley* vs. *Mayhew*, 3 Comstock's Reports (3 N. Y.), page 11, where in a suit on a patent, an injunction had been granted, as here, restraining the manufacture of a patented article, as part of the relief. STRONG J., said: "It was insisted on "the argument before us as it had been in the court below "by the counsel for the plaintiff, that the defendant was "precluded from raising the question of jurisdiction by his "written stipulation that he wouldn't do so, given for a

"valuable consideration, and filed by the examiner as a "document in the cause. It may have been a breach of "faith or good morals in the defendant to insist upon the "objection after his solemn agreement to waive it; but "that is no reason why any court should adopt the strong "measure of granting a perpetual injunction in a case "where it has no jurisdiction. It has been long and cor- "rectly settled that not even a direct assent by the party "can confer jurisdiction, or render the judgment of a tri- "bunal, in a matter over which it has not by law any "cognizance, effectual." (Referring to *Coffin* vs. *Tracy*, 3 Caines Rep., 129. *Davis* vs. *Backard*, 7 Peters, 276.)

III. It has been said, and may be said again in this court, that this is an "interlocutory" and not a final decree, and that, as the court made a further decree in 1879, this 1882 interlocutory decree does not form a portion of the record which can be considered.

First.—The decree is not an interlocutory decree. The only foundation for the statement is that the plaintiff below (defendant in error here) has printed the words "Interlocutory Decree appointing Master" at the head of the decree in his own paper-book. The decree purports to to be, and is—a decree made in the cause after a hearing on bill and answer. The record in the cause shows that the complainant had filed his bill September 24th, 1878, setting forth his contract with defendants, their conduct forfeiting their rights thereunder, and declaring the forfeiture; and praying for a reassignment of his patent, for an account and an injunction against their manufacturing under it (which the State court had no jurisdiction to grant). The defendants' answer denied the validity of the contract, admitted their forfeiture of all right under it, and a liability to account, but denied the validity of the plaintiff's patent, or that they were then manufacturing under it, or that they were liable to assign to the plaintiff the letters patent

for their own improvements which he demanded. The plaintiff then moved for a decree upon bill and answer.

All that the State court had jurisdiction to do, was, upon a bill properly framed, to decree an account, and give the plaintiff any further relief which he might, *by reason of the contract,* be entitled to. Instead of doing this, they, upon hearing, made a decree, which commenced by stating:—

"And now, December 8th, 1878, this case come on to be heard "on bill and answer:"

and proceeded:

"It is ordered, adjudged, and decreed that an account be taken "of all and every the bedsteads and furniture manufactured by "the defendants under the patent and improvements mentioned "and referred to in the bill, after the 16th day of April, 1874, and "all moneys realized from the sale of the same, * * * "and that the defendants pay to the plaintiff whatever money "shall, upon such account, be found due to him; and it is further "ordered that an injunction issue directed to the said defendants, "commanding and enjoining them not to dispose of the said "patent and the improvements thereon to any person or persons "other than the plaintiff, and *from manufacturing bedsteads and "other furniture under the said patent, and from selling any bedsteads "made under said patents and improvements, manufactured after the "date of this decree.*"

Second.—As to its practical effect, this decree might be looked upon in either of two ways. It may be said, first, that, as a decree upon bill and answer, it still forms part of the decree of the court. No order has been made modifying it, and the defendants therefore are bound by it now just as much as by the decree of the court which the plaintiff terms the 'final' decree, made April 22d, 1882; (see page 91 of plaintiff's "copies from the record,") so that, as a subsisting decree enjoining the defendants from infringing the *Everitt* and other patents, any disobedience

to it could now be punished by attachment. Or secondly, it may now be urged, under the strain of this appeal, that as the court made a further decree in the cause on April 22d, 1882, this decree of December 9th, 1878, was so merged into it, that so much of it as is not *reiterated* in their latter decree, is no longer operative. It would be difficult to support such a view; but, if adopted, it would follow that the defendants were liable from December 9th, 1878, up to April 22d, 1882, for any disobedience to, or infraction of, this decree. Now the decree enjoins them from manufacturing any bedstead under *Everitt's* or the four other patents, so that if they have manufactured bedsteads covered by the claims of these patents, as they now stand, they are liable, on a summary hearing upon a motion for an attachment, to be fixed with damages for manufacturing and selling these articles during the whole of this period, whether the patents are, in fact, valid or not. Observe, the decree is, they shall not sell any bedstead made under these patents. Any bedstead infringing them would be within the words of the decree. So that, although the defendants have, by way of defence in their answer, set up the utter invalidity of the complainant's patent, they are nevertheless, under this extraordinary order, liable now to pay damages for infringing it whether the patent is valid or not.

If the jurisdiction of this court therefore is not sustained, the claim will at once be put forward that the defendants have violated the decree of December 9th, 1878, by selling bedsteads made under the plaintiff's patent. The defendants may urge in vain that his patent is invalid; that they, as well as the rest of the public, had a right to manufacture these articles. It will be answered that the matter for the four years from December 9th, 1878 to April 22d, 1882, is *res adjudicata;* that the defendants were enjoined from manufacturing and selling for these four years, and that upon an attachment for an alleged dis-

obedience to the order, as the cause is now ended they can not, as to this period, make any further defence at all.

IV. Now, under either of the views above presented of this order, it is perfectly clear that the State court had no jurisdiction whatever to make it. The brief in support of the defendant in error contains but a cursory allusion to this vital fact in the cause,* and no argument upon it, further than a statement of the conclusion that "it is manifest that there is no Federal question involved in any manner in this case," so that it is difficult to anticipate upon what ground an attempt may be made to support it. It is true that where the rights of parties to a litigation depend, or are alleged to depend, *wholly* upon a contract, a State court can determine, first, whether or not such a contract exists, and secondly, if it be found to exist, whether the complainant has rights under it, and if so, enforce them. Where a contract with regard to a patent right is set up, but the validity of the patent *is itself not questioned* by either party, this court, in *Wilson* vs. *Sandford*, 10 Howard, 99, and *Hartell* vs. *Tilghman*, 9 Otto, 547, decided that the mere fact of the contract's relating to a patent, does not of itself give the Federal courts jurisdiction. It was doubted by some members of the court in *Hartell* vs. *Tilghman*, whether, even where the validity of the patent in question was admitted, but *the existence* of any contract as to it denied, the plaintiff could not sue in the Federal courts as for an infringement.

But where *infringement* is sought to be relieved against, a construction of the patent is involved; this raises a question under the Act of Congress which provides that all actions arising under any law of the United States granting or confirming to inventors the exclusive right to their inventions shall be originally cognizable in the Circuit Courts. "The Act of Congress," says CHIEF JUSTICE WAITE

* Pages 23 and 24 of brief of defendants in error.

in *Littlefield* vs. *Perry*, 21 Wallace, 222, "provides 'that all "actions, suits, controversies, and cases arising under any law "of the United States granting or confirming to inventors "the exclusive right to their inventions or discoveries "shall be originally cognizable as well in equity as at law "in the Circuit Courts,' &c. An action which raises "a question of infringement is an action arising 'under "the law;' and one who has the right to sue for the in- "fringement may sue in the Circuit Court. Such a suit "may involve the construction of a contract as well as the "patent, but that will not oust the court of its jurisdiction. "If the patent is involved it carries with it the whole "case."

A plainer case of a lawsuit involving a case of infringement and the construction of a patent, it is impossible to conceive. The plaintiff files his bill setting forth his patent, declaring that there has been a contract between himself and the defendants about it, but that the defendants have, under its terms forfeited all rights thereunder, and asking, as the third prayer of his bill,

"That the said defendants be restrained by an injunction from "your Honorable Court from disposing of the said patent and "improvements to any other person or persons than your orator, "and from making or selling bedsteads or other furniture under "your orator's said patent and the improvements thereon."

The defendants in their answer deny the validity of the contract, admit that they claim no further rights under it, and deny the validity of the patent *in toto*, tendering a reassignment of it. The court, upon hearing on bill and answer, decree that the defendants be restrained from manufacturing or selling any article made under the patent after the date of the decree, and, in addition, from manufacturing under four other letters patent actually owned by the defendants themselves, for alleged improvements on the original patent.

Clearly, if the patent was invalid, no court, after the contract between the parties had been ended, could enjoin the defendant or any one else from selling these articles. But the question of whether the patent was valid or not, upon which the validity of the injunction exclusively depends, was one involving the construction of a patent, and thus "arising under a law of the United States granting "or confirming to inventors the exclusive right to their in- "ventions," &c. This part of the case is, indeed, too plain for argument.

But if the court had no jurisdiction then to issue this injunction, they have no power now or hereafter to enforce it, nor, consequently, to inquire whether the defendants, after the date of this order, and while it was in force,—whether up to the present time or only up to April 22d, 1882,—have sold bedsteads "made under this patent," and, if they have done so, to mulct them in damages or otherwise punish them for having done so.

But this is precisely what, unless this court interferes here, will be done, and, as will be in a moment shown, has been already partially attempted; and these defendants will be compelled to pay between $14,000 and $20,000 in addition to the amount of the present decree, for doing that which, if their allegation that the *Everitt* patent is invalid be true, they had a perfect right, in common with every other citizen of the United States, to do. And this consideration leads us directly to the next ground of appeal.

THIRD.

The court below had no jurisdiction to make a decree ordering the defendants to pay to the plaintiff, inter alia, **$971.98, for the sale of bedsteads and articles of furniture by them under the plaintiff's patent, after all contract relations between the parties had been determined.**

I. The part of the decree complained of is the second paragraph of it (page 91 of the plaintiff's "Copies from the Record"), which declares that the defendants are indebted to the plaintiff in the sum of $6554.58, with interest from December 10th, 1878.

To ascertain how much of this decree is for what the court decided, as they had doubtless jurisdiction to decide, was due to the plaintiff *under the contract* set up by them,—and how much of it they fixed the defendants with by reason of their conduct after the date at which the court itself found all contract relations between the parties had ceased,—we must look at the record itself; since in all of the United States "our decrees do not recite the facts as under the English chancery practice." (See Daniell's Chancery Practice, page 1576, note 6.)

"In the courts of the United States," as Judge Story says in *Dexter* vs. *Arnold*, 5 Mason's Reports, 311, "the "decrees are usually general. In England, the decree "embodies the substance of the bill, pleadings, and answers. "In the courts of the United States, the decree usually "contains a mere reference to the antecedent proceedings "without embodying them. But for the purpose of ex- "amining all errors of law the bill, answers, and other pro- "ceedings are, in our practice, as much a part of the re- "cord before the court as the decree itself; for it is only "by a comparison with the former that the correctness of "the latter can be ascertained."

And it is obvious that this must be done in a case like the present, or otherwise a State tribunal, by mingling together in a money decree what they found due under a contract between the parties, and what they fixed the defendants with by way of damages for infringement, would practically acquire the requisite jurisdiction to pronounce

a decree for damages for infringement.* Turning, then, to the pleadings we find the plaintiff averred there was a contract between him and the defendants about his patent, set forth in full, by which the latter so long as they used the patent, were to pay a royalty of seven per cent. on the wholesale price of the articles sold; but in case of default by them in accounting, &c., for sixty days, he could terminate it. He then avers:—

"That the said defendants have continued in default for more "than sixty days in not accounting for and paying over to your "orator the royalty due under said agreement, after your orator "had demanded of the defendants payment of the same, whereby "the rights of the said defendants to your orator's said patent, and "the said improvements thereon, were forfeited."

The answer admits:—

"That it is true that the defendants have continued in default "for more than sixty days in not paying over, under the said

* So in *Mills* vs. *Brown et al.*, 16 Peters, 526, CHIEF JUSTICE Taney says,—

"The plaintiffs in error thereupon filed their bill in the Circuit "Court of the State, praying that the county of St. Clair and the said "commissioners should be enjoined from further proceedings under "the act of Assembly last above mentioned. The respondents, "the present defendants in error, appeared and demurred gen- "erally to the bill; and upon final hearing of the cause, the de- "murrer was sustained by the Circuit Court, and the bill dis- "missed. From this decision the complainants appealed to the "Supreme Court of the State, where the decree of the Circuit "Court was affirmed. The points proposed to be raised here, are "first, whether the act of Assembly of 1819 was not a contract "with the said Wiggins, his heirs and assigns; and, second, "whether the act of 1839 does not impair the contract.

"These points are not directly stated in the pleadings, nor are "they noticed in the decree of the Circuit or Supreme Court of the "State. Yet if it appeared from the bill, that the court could not "have sustained the demurrer without considering and deciding "these points; if they were necessarily involved in the decision "of the case as presented by the bill and demurrer, this court "would have jurisdiction upon the writ of error, although they "are not expressly stated in the decrees to have been raised and "decided."

"agreement * * and they agree that they have forfeited their "rights to the plaintiff's said patent, and although they have not "hitherto reassigned the same, they have caused an offer so to do "to be made to the plaintiff in person and through counsel, but it "has not been accepted," &c., &c.

And the Master, all of whose findings are adopted by the court below (page 43 of his report),

"finds that the defendants are in default within the terms of "the fifth article of the contract, and that they continued *in de-* "*fault for more than sixty days before the bill was filed,*" &c.

So that, on the 24th of September, 1878, when the bill was filed, the defendants had forfeited their rights under the contract, and thereafter the rights of both parties under it were terminated, and they were remanded to their respective rights outside of it. Either party could sue, as the plaintiff did sue, for *prior* infractions of it, but neither party could sue under it for any matter after this date. The plaintiff, upon accepting the reassignment of his patent tendered him could, and of course can still, sue the defendants in the Federal courts as infringers under his patent, for any act committed after September 24th, 1878, and provided he can show that the articles he alleges covered by his patent constitute infringements, and that his patent is valid, can recover. But he can not do both. He can not hold the defendants liable *under the contract*, which provides amongst other things that they shall manufacture the bedsteads and pay a royalty therefor, and at the same time ask for an injunction from the same State court, restraining them from manufacturing at all, and proceed against them as infringers. The court below, however, first calculates what they find

due the plaintiff under the contract, about $5600 * (see recapitulation after page 132 of the master's report), and then declare that the defendants indebted to the plaintiff in the sum of $971.98,† for bedsteads made under the patent after the contract between them had terminated, because the bedsteads are covered by the patent which they held, for the purpose of this litigation at least, to be in all respects valid.

This appears in the last two lines of the recapitulation, following page 132 of the Master's report, above alluded to, where the amounts charged the defendants for sales in

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* See the Master's "recapitulation," not paged, but immediately following page 132 of his report, in which the amount due by the defendants every month is calculated.

The amount up to and including August 31st, 1878, if added, appears to be $12,559.87, and the additional amount up to September 24th, 1878, appears from pages 120, 121 to be $305.60, making in all, ...	$12,865	47
Less amount Cr. defendants as already paid by them, .	7,049	38
	$5,816	09
Which was further lessened by the amount of errors, (see Appendix C to Master's report, page 145), made by the Master, viz.:	233	49
	$5,582	60
So that the balance of the amount awarded by the decree, viz.:	971	98
as shown below, was for sales made after September 24th, 1878, when no contract existed between the parties, and the plaintiffs had prayed for the injunction to restrain the defendants from manufacturing.		
Total amount awarded by decree, ...	$6,554	58

† For articles sold during the month of September, after September 24th, 1878, see pages 120, 121 of Exhibit A of master's report (which material portion has not been printed by defendants in error), ... $70 85
For articles sold during the month of October, 1878, . . 579 28
For articles sold during the month of November, 1878, . 321 85

$971 98

October and November, 1878, are respectively $579.28 and $321.85, and it appears from the statement of sales on pages 120 and 121 of his report that the sales made from September 24th to September 30th, were $1015.50, on which the master calculates $70.85 as due plaintiff. We have stated that the court below found that the bedteads manufactured were infringements of *Everitt's* patent, and that the latter was not an infringement, as was averred in the defendants' answer, of the *Stark* patent. (On page 138 of the master's report), he says:—

"The Master has found * *

IV. That the plaintiff's patent did not infringe on the Stark patent as originally granted."

The court further charged the defendants with royalty upon *all* the folding bedsteads sold by them and found (page 16 of master's report)

"That there is no record in the defendants' books and no evidence in the case that the defendants had manufactured any bedsteads under the plaintiff's patent, other than those they had sold."

II. The counsel for the defendants in error have ventured on page 18 of their brief, to say:—

"It is odd, to say the least, that where every point in "controversy in the case was, as is now averred, out of the "jurisdiction of the State courts, the learned counsel for the "plaintiffs in error should have waited during the tedious "litigation of more than four years, and until their clients "had met with overwhelming and complete defeat, to dis-"cover or to suggest such a fatal objection."

This is meant to insinuate that no objection was taken to the jurisdiction of the State court during the pendency of this proceeding in the court below, or on appeal to the Supreme Court in Pennsylvania. This, like most of the insinuations made in the defendant in error's brief, might

as well, perhaps, have been omitted; it only serves to expose how grossly reckless they are. The defendants below *printed* an argument upon this head before the Court of Common Pleas, the first court in which the case was brought, and reprinted upon this head the whole of that argument before the Supreme Court of Pennsylvania; the material parts are here reprinted *verbatim et literatim* in the foot-note * annexed.

FOURTH.

The court below had no jurisdiction to find that the Everitt patent did not infringe the Stark patent as originally granted, but that the Stark patent had been reissued so as to cover the Everitt patent, and thus render the latter patent an infringement of the reissued Stark patent; and to decree on this ground that the defendants reassign the Stark patent to the plaintiff.

The plaintiff, having set out the grant to him of his own, the *Everitt* patent, by the Patent Office on the 24th of

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* "Having elected to end the agreement, and by the filing of his bill and prayer for a reassignment, having expressed such election, the complainant is clearly not entitled to any profits under the contract after the date of such election; because the relation which gave him the right has ceased to exist.

He can thereafter only claim profits against the defendants as *infringers* of his patent (or patents if the Stark patent properly goes to him), and the State court has no jurisdiction to decree an account of such profits. Because the defendants would have a right to set up the invalidity of such patents for any reason under the patent law on the question of their own infringement; and such questions are exclusively in the jurisdiction of the Circuit Court of the United States."

March, 1874, the defendants in their answer averred that it was anticipated, amongst other things, by a patent of one *Andrew Stark*, which had been granted by the Patent Office on August 22d, 1865, nine years previously. The plaintiff then filed an amendment to his bill, setting forth that the defendants' claimed that his, *Everitt's* patent, was an infringement upon the *Stark* patent, but charging that owing to the relation which existed between the defendants and himself (by reason of the contract which had been made between them) the latter could not, during the existence thereof, acquire title to the said *Stark* patent adversely to him, but that they must be presumed to have acted for the joint interest of all interested in the manufacture of this folding bed under the said agreement.

There was nothing in the contract between the parties (which is printed in full in the "copies from the record" furnished by the defendant in error), which forbade the defendants from purchasing or manufacturing under any other patent they pleased. The plaintiff had taken issue with the defendants upon the question whether the *Stark* patent, as originally granted, anticipated his own, *Everitt's* patent, contending that it did not. Now, of course, if the *Stark* patent did not anticipate *Everitt's*, and did not therefore cover the same invention or any part thereof, there was no more to prevent the defendants from buying the *Stark* patent than if the latter had been a patent on an electric machine or a glass furnace, or anything else utterly unconnected with folding bedsteads. To sustain the claim, therefore, made by him in the amendment of his bill, he endeavored to show that while *Stark's* patent, as originally granted, did not anticipate his own patent, yet, nevertheless, the defendants had, after the date of their contract with himself, and their purchase of *Stark's* patent, had it reissued by such cunning devices that it did, in its reissued form, cover his, *Everitt's* patent, thus making the latter an infringement of the *Stark* patent *as reissued*, and thus subjecting him to the danger, not only of losing his patent, but of being thereafter unable to maintain

his monopoly of exclusively manufacturing bedsteads thereunder. On this ground, he contended that it was against the general principles of equity that the defendants should be allowed to retain this patent in its reissued form. These were the points upon which the plaintiff's claim to an assignment of the *Stark* patent was based, and they only partly appear by a mere inspection of the pleadings, because the ground on which the master and the court appeared to have granted him the relief, differed from that on which, when his bill was originally filed, it was based. But, as the court in sustaining this prayer expressly passed upon and decided these questions, this court has jurisdiction upon the writ of error; as is expressly ruled by Chief Justice Taney, in *Mills* vs. *Brown*, 16 Peters, 526, already referred to.

"These points," says Chief Justice Taney in that case, referring to the question whether an act passed by the State of Illinois did not impair the obligation of a contract, "are not directly stated in the pleadings, nor are they "noticed in the decree of the Circuit or Supreme Court of "the State. Yet, if it appeared from the bill that the court "could not have sustained the demurrer without consider-"ing and deciding these points; if they were necessarily "involved in the decision of the case, as presented by the "bill and demurrer, this court would have jurisdiction "upon the writ of error, although they are not expressly "stated in the decrees to have been raised and decided."

Turning now to the record, we find that the court below found as a fact, first, that *Everitt's* patent was not an infringement of *Stark's* patent, as originally granted nine years previously. (See pages 138 and 139 of the Master's report; pages 81 and 82 of defendant in error's copies from the record.)

"The Master has found:—

* * * * * * *

"IV. That the plaintiff's patent did not infringe on the "*Stark* patent as originally granted."

Secondly.—The court below found that the *Stark* patent as reissued did cover *Everitt's* patent, and that the latter was therefore an infringment of the Stark patent as reissued. See opinion by Thayer, P. J., page 87 of defendant in error's copies from the record. He says:—

"The means by which it, [the object of the defendants,] "was to be accomplished, was the purchase of the *Stark* "patent, which Mason, their own counsel, testified was not "infringed by the plaintiff's patent, the fraudulent reissue "of that patent with such cunning devices that it should "be made 'to cover entirely the bedstead,' and a secret as- "signment by *Stark* to themselves of that which they "already owned. * * * See pages 89–90.

"But in the present case, the defendants created them- "selves the very title which is alleged to be hostile to the "plaintiff's rights, for, without the reissue of the *Stark* "patent, which *they* obtained, the plaintiff would have "been in no danger. The plaintiff is entitled, therefore, "to relief and protection against the defendants' fraudulent "reissue of the *Stark* patent. He might have it by a per- "petual injunction against the assignment or use of that "patent, or he may have it upon the principles already "adverted to, in the form of a decree for the compulsory "assignment of it to the plaintiff."

The strength of the legal position, upon which the reasoning of the court below is founded, it is not our province on this motion to criticise. Whether it proceeds upon a wholly erroneous conception of the nature of a reissued patent and of the law of the United States in regard thereto, must be argued before this court when the whole case is before it on appeal. For the present purpose it is material only to show that the plaintiff's right to an assignment was decided to depend upon the issue of whether or not his patent infringed *Stark's* patent as originally grant-

ed some nine years previously, and also whether it infringed that patent in its reissued form, reissue No. 8161, dated April 9th, 1878. If the original *Stark* patent did not anticipate *Everitt*, but the reissued *Stark* patent did, then *Everitt* was entitled to be protected by having the plaintiff's property given to him, so that he might have not only his own patent, but *Stark's* besides, and that without compensation.

If, on the other hand, his patent was an infringement of *Stark's* patent as originally granted, or was not an infringement of that patent as reissued, he was decided by the court below to have had no claim for its assignment. What jurisdiction had the State court to determine this question? It involved a decision by them of the very question, viz., the contruction of patents, which the Constitution of the United States and the legislation of Congress has said they shall not decide, and which, consequently, from that branch of the law not being brought frequently before them, they are, as a general rule, incompetent to decide.

To recapitulate therefore,

The bill avers the grant to the plaintiff of letters patent, and prays "that the defendants be restrained by an "injunction from * * * making or selling bed-"steads or other furniture under your orator's said patent," thus praying relief against infringement; and the answer avers that "because of the existence of prior patents, "and for want of utility and novelty, they have been ad-"vised that the said patent of the plaintiff is useless and "utterly worthless," thus raising the issue of the validity of the patent, and the question of whether relief against infringement should be granted.

The court below has assumed jurisdiction of the ques-

tion thus raised, and upon hearing on bill and answer have made a decree "commanding and enjoining them "(the defendants) * * from manufacturing bedsteads "and other furniture under the said patent, and from sell- "ing any bedstead made under said patent and improve- "ments, manufactured after the date of this decree."

The bill, in addition to the grant of the letters patent, prays an account of all "the bedsteads and other furniture "manufactured by the said defendants under said patent "* * * after the date of the said agreement," (viz., after April 16th, 1874), and of all "moneys re- "alized from the sale of the same," not limiting the account thus demanded to the duration *of the agreement*, all rights under which the plaintiff avers and the defendants admit, were forfeited on or before September 24th, 1878, but demanding the same for an indefinite period thereafter, while the defendants deny the validity of the patent, thus raising the issue of naked infringement, viz., whether the articles manufactured constitute infringements, and whether, if the plaintiff's patent covers the same, it is valid.

The court below, although it found as a fact in accordance with the plaintiff's bill, that all rights under the contract had been forfeited and terminated upon or prior to September 24th, 1878, nevertheless assumed jurisdiction of the questions thus raised after the rights of the parties by contract had thus terminated, and proceeded to hold the defendants liable for the sale of articles under the patent, although the validity of the patent was denied.

In addition to this the court below found as a fact, although the validity of the plaintiff's patent was denied by the answer by reason of its anticipation *inter alia* by the patent granted nine years previously in 1865 to Andrew Stark,—that it was not anticipated by Stark's patent, as the latter was originally granted, but that it is anticipated by the

reissue of Stark's patent, granted in 1878; that the reissue of the latter patent is fraudulent and void as against the plaintiff, by reason of which he is entitled to an assignment without compensation of Stark's patent from the present owners thereof, the defendants.

As these questions are all Federal questions, it is maintained by the defendants below, the plaintiffs in error, that this court has jurisdiction of this cause.

GEORGE W. BIDDLE,
Of Counsel for the Plaintiffs in Error.